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C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 000568

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TAGS: [EAID](#) [ECON](#) [EFIN](#) [ETRD](#) [IZ](#) [KU](#) [PGOV](#) [PREL](#)

SUBJECT: ARAB FUND ON IRAQ COMPACT, REGIONAL AID, AND THE
"TIRED" AMIR

REF: A. STATE 46243
[B](#). 06 KUWAIT 4311
[C](#). 06 KUWAIT 4438
[D](#). KUWAIT 566
[E](#). KUWAIT 185
[F](#). STATE 50503

Classified By: CDA Matt Tueller for Reasons 1.4 (b) and (d)

[1](#). (C/NF) Summary: Arab Fund Director General told A/DCM April 16 that he was unlikely to be able to attend the May 3 Iraq Compact (ICI) signing in Egypt due to prior commitments and, more importantly, because of the failure of the GOI to solve its arrears problem with the Fund. Al-Hamad said there had been "silence" from the Iraqis following GOI Planning Minister Baban's visit to Kuwait in October 2006, on the margins of the ICI meeting hosted by the Kuwait Fund, when a repayment mechanism had been chalked out with the Arab Fund to resolve the problem; all that was needed, Al-Hamad said, was a thumbs up from Baghdad, which has never come. Al-Hamad stressed the Arab Fund nevertheless still supported the ICI, and he looked forward to meeting with Senior Iraq Coordinator Satterfield in Kuwait on April 23. He would see whether someone else from the Fund could attend the May 3 signing. On regional assistance, Al-Hamad commented that since Nabih Berri had "stolen the keys to the Lebanese parliament," hundreds of millions of dollars in Arab Fund aid to Lebanon pledged during Paris III was being held up. Aid to Yemen, in contrast, was flowing smoothly and bringing results. Al-Hamad said he had visited with the Amir of Kuwait that morning and concluded the Amir is "not the same man he used to be." Public bickering within the Sabah family, Al-Hamad contended, is wearing the Amir out. Al-Hamad added that he was working with the World Bank and OECD to follow up on the successful donor coordination event held last February. End Summary.

[2](#). (C/NF) Acting DCM delivered Ref A demarche to Arab Fund Director General Dr. Abdulatif Y. Al-Hamad on April 16, stressing the importance of senior-level attendance and political support from Kuwait and the Arab Fund at the May 3 ICI signing ceremony in Egypt. A/DCM reviewed the ways the GOK and Arab Fund could demonstrate support. Al-Hamad said he had not yet received an invitation to the event, was glad to know about it, but regretted that he had "prior commitments" at that time and would be unable to attend. He would see about sending another representative from the Arab Fund. A/DCM stressed that since May 3 was the signing

ceremony, which the Secretary of State and Treasury Dep Sec would attend, and at which the U.S. expected to announce an additional USD 10.7 billion in assistance to Iraq, it was important for the Arab Fund to be there to signal its support. Al-Hamad said the Arab Fund supported the ICI, but the fact that the GOI had not followed through on a repayment scheme outlined in meetings between the Fund and Iraqi Planning Minister Baban in October "complicated" the Fund's involvement in ICI. (Note: Iraq owes the Arab Fund approximately USD 108 million in arrears. The Fund and Minister Baban tentatively agreed in October that Iraq would begin repaying the Fund USD 3.5 million per month, with an initial tranche of USD 18 million. Baban reportedly told Al-Hamad he needed to have the agreement signed off in Baghdad. The start of payments would end Iraq's suspension from the Arab Fund and allow Arab Fund-supported projects to get underway in Iraq. See Ref B for further details. End Note). Al-Hamad said there had been "only silence" from Baghdad since the October meeting.

¶3. (C/NF) Al-Hamad added that a request to Kuwait to forgive Iraqi debt was, in his view, a non-starter. "It is too sensitive" an issue in Kuwait, Al-Hamad said, and "the leadership in Kuwait does not have the stomach" to wage the political battle to make it happen.

¶4. (C/NF) Al-Hamad followed up with a telephone call to A/DCM on April 17 to say that he had been meeting with his staff, and the issue of attendance at the ICI posed a real conundrum. The Arab Fund has always been supportive of the ICI, Al-Hamad restated, but there was no point in attending the May 3 event "just to sit there and offer nothing." The Fund, he said, was sympathetic to Iraq's needs and would like

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to see a normal relationship develop. He reiterated his view that the Arab Fund Board would support the end of Iraq's suspension if Iraq acted on the repayment scheme, a move that would potentially open Iraq to "millions of dollars" in assistance.

¶5. (C/NF) Al-Hamad said he would be pleased to meet with Senior Iraq Coordinator Satterfield on April 23 to discuss these issues further.

Aid to Lebanon: Nabih Berri is the Problem

¶6. (C/NF) Al-Hamad noted that at Paris III the Arab Fund had pledged USD 700 million in aid over the next five years to Lebanon. He said, with evident disgust, the aid projects need ratification by the Lebanese parliament, but nothing was moving since Lebanese Parliamentary Speaker Nabih Berri had "locked up the chambers" and said "parliament belongs to me." Al-Hamad said he had just returned from Beirut, where things were "grim" downtown, but life was "normal" in many other neighborhoods of the city, with no visible sign of political crisis.

Aid to Yemen: Proceeding Smoothly

¶7. (C/NF) In contrast to Lebanon, Al-Hamad said, Arab Fund assistance to Yemen was going smoothly and achieving results. He noted that at the November 2006 donors conference the Arab Fund had pledged 700 million Kuwaiti dinar (USD 2.45 billion) to Yemen over five years. He said USD 80 million had been disbursed already. Projects to expand the airport, construct a causeway out of Aden, contribute USD 100 million in social funds, develop public works and employment projects, enhance agriculture in the south, modernize the network of rural roads, and upgrade the sewage system in Aden were in the pipeline or underway, and leading to "dramatic improvements." Corruption was a problem in Yemen, he said, but the Fund has mechanisms in place to protect its projects "from interference."

The Amir is Tired

18. (C/NF) Al-Hamad relayed that he had seen the Amir that morning (to deliver an invitation to his son's wedding), and commented the Amir is "not the man he used to be." He is worn out, Al-Hamad said, by public bickering within the Sabah family (Ref D). Al-Hamad ventured that bickering and jockeying for power within the royal family was proving to be more personally challenging for the Amir than many of the regional crises the Amir had faced in his years of public service. It is easier, Al-Hamad commented, to be foreign minister than to have to deal with internal family politics, which are being played out in the public eye and "humiliating" the Sabah family.

Follow-Up on the Donor Coordination Event

19. (SBU) Al-Hamad reiterated his satisfaction with the donor coordination conference the Arab Fund hosted in February (Ref E), but believed it was important to maintain momentum. He said World Bank and OECD representatives were meeting in Washington this week to discuss next steps; Al-Hamad had been invited to attend as the third member of the "troika" but had to abstain because of his son's impending wedding. The three would discuss the focus of the next conference, and he hoped a coordination event bringing together international and Arab donors would be held annually.

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